

## Message Text

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FOLLOWING SENT SECSTATE WASHDC FROM NEW DELHI 28 MAR 74:

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E.O. 11652: N/A

TAGS: PFOR, EAID, EX, IN

SUBJ: LET'S TALK TO THE EAST ABOUT AID TO INDIA

SUMMARY: THE HEAT WILL BE ON IN THE CONSORTIUM THIS YEAR FOR MORE AID AND DEBT RESCHEDULING. THE EAST EUROPEANS STILL AREN'T DOING THEIR SHARE. I PROPOSE THAT THIS YEAR THE CONSORTIUM INVITE THE EAST EUROPEANS TO TALK THINGS OVER DIRECTLY. THEY ARE UNLIKELY TO ACCEPT. BUT EVEN IF THEY DON'T, WE MIGHT GAIN SOME TACTICAL ADVANTAGES. END SUMMARY.

1. THE CONSORTIUM IS ABOUT TO COMMENCE ITS ANNUAL ROUND OF DISCUSSION, JUDGMENT AND PRESCRIPTION ON THE SUBJECT OF WESTERN AID TO INDIA. IN AN ATMOSPHERE OF DEEPENING CONCERN ABOUT THE

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PROSPECTS OF INDIAN ECONOMY FOR 1974, THE HEAT WILL BE ON TO

STEP UP AID COMMITMENTS AND THERE WILL MOST PROBABLY BE A CALL FOR HEFTY BOOSTS IN THE LEVEL OF DEBT RESCHEDULING.

2. FOR THE THIRD YEAR RUNNING, THE QUESTION OF AID FLOWS FROM EASTERN EUROPE WILL BE ON THE AGENDA, AND THIS TIME AROUND EVEN THE BANK REPORT ADMITS THAT THERE MIGHT BE SOMETHING WRONG WITH THE DIRECTION OF RESOURCE FLOWS BETWEEN EASTERN EUROPE AND INDIA. WE WILL BE ASKING INDIA TO SHOW WHY NEGATIVE OR NEGLIGIBLE AID FLOWS FROM EASTERN EUROPE, AND PARTICULARLY THE USSR, AT A TIME WHEN THE CONSORTIUM IS BEING ASKED TO GIVE EVEN MORE, IS NOT IN FACT INEQUITABLE TO CONSORTIUM DONORS.

3. THE INDIAN OBJECTIVE WILL BE TO GET DEBT RESCHEDULING FROM THE CONSORTIUM FOR THE LOWEST COST IN TERMS OF COMMITMENTS TO MAKE CHANGES IN THEIR RELATIONSHIP WITH THE EAST EUROPEANS, AND WHEN IT COMES TIME TO TAKE THE CONSORTIUM'S REQUEST TO THE SOVIETS, THEIR HEARTS WON'T BE IN IT.

4. WHY NOT TRY SOMETHING NEW THIS YEAR? I PROPOSE THAT WE AND OUR CONSORTIUM COLLEAGUES, INSTEAD OF PUTTING ALL OUR CHIPS ON A STERILE DEBATE WITH THE INDIANS ON THE FACTS AND IMPLICATIONS OF SOVIET AND BLOC AID PERFORMANCE, SEEK TO OPEN A DIALOGUE WITH THE BLOC DONORS THEMSELVES, I.E., TO INVITE THE EAST EUROPEANS TO DISCUSS THE ISSUES DIRECTLY WITH WESTERN DONORS.

5. I THINK IT HIGHLY UNLIKELY THE SOVIETS OR THEIR FRIENDS WOULD RE-

SPOND ENTHUSIASTICALLY. MOST OF WHAT THE SOVIETS ARE GIVING INDIA IS MILITARY EQUIPMENT AND THEY ARE NOT PREPARED TO DISCUSS THE BALANCE SHEETS ON THIS. WE RECOGNIZE ALSO THAT THE SOVIETS ARE LIKELY TO BE RELUCTANT TO LEND CREDENCE TO THE IDEA THAT THEIR AID AND WESTERN AID ARE IN ANY WAY COMPARABLE.

6. AS FOR THE INDIANS, THEY WOULD BE WARY OF A PROPOSAL THAT EAST AND WEST TALK DIRECTLY ABOUT AID TO INDIA. SOME WOULD QUESTION OUR MOTIVES. THE INDIANS WOULD SEE LITTLE TO BE GAINED FROM A REALLY FACTUAL PUBLIC DISCUSSION OF THEIR AID RELATIONSHIP WITH THE BLOC. ON SHORT REFLECTION (AND QUICK CONSULTATIONS WITH THE SOVIETS), THEY WOULD CONCLUDE THAT THE SOVIETS WILL NOT RESPOND SERIOUSLY TO THE WESTERN CALL--AND THEY MIGHT TRY LIMITED OFFICIAL USE

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TO USE WESTERN INTEREST IN DIRECT EAST-WEST TALKS TO GET OUT FROM UNDER WESTERN PRESSURE TO LEVER THE SOVIETS.

7. AGAINST THIS BACKGROUND, WHAT WOULD BE IN IT FOR WESTERN DONORS IF THE CONSORTIUM CALLED AT ITS MEETING IN PARIS FOR A DIALOGUE WITH INDIA'S EASTERN DONORS? IN THE SHORT RUN, PERHAPS ONLY THE TACTICAL ADVANTAGE OF FOCUSING ATTENTION ON THE FACT THAT THE EAST ISN'T DOING ITS PART. SOME MILD PRESSURE

ON THE INDO-SOVIET AID RELATIONSHIP. SOME ADDED CREDIBILITY TO THE LEGITIMACY OF OUR INTEREST IN THE AID FLOW FROM THE EAST. AND A MARK FOR THE PUBLIC RECORD THAT IN VIEW OF INDIA'S GRIM PROSPECTS AND THE SPIRIT OF DETENTE, THE WEST, AT LEAST, IS ANXIOUS TO MOVE BEYOND OUTWORN CONCEPTS OF COMPETITIVE EAST-WEST AID.

8. BUT I AM NOT SUGGESTING THIS INITIATIVE ONLY FOR ITS SHORT TERM TACTICAL POINTS. EVEN THOUGH THE SOVIETS ARE LIKELY TO BE NONCOMMITAL AT BEST, I THINK WE SHOULD ZEGIN TO PESTER THEM DIRECTLY--IN THE MOST COOPERATIVE SPIRIT--WITH THE PROPOSAL THAT WE TALK ABOUT AID TO INDIA. IN THE LONGER TERM, WE MAY BE ABLE TO BRING THEM TO RECOGNIZE A COMMONALITY OF PURPOSE WITH THE WEST IN THIS AREA. MOYNIHAN UNQUOTE RUSH

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